

IN RE: Annual Review of South Carolina Electric) ORDER DENYING
and Gas Company's Purchased Gas) PETITION FOR
Adjustments and Gas Purchasing Policies) RECONSIDERATION

The Consumer Advocate alleges that the Commission erred in finding that the gas purchasing practices of South Carolina Electric & Gas Company (SCE&G) were economically prudent, since, in the opinion of the Consumer Advocate, there was no evidence presented which pertained to the economic prudence issue. The Consumer Advocate states that there was no evidence as to whether SCE&G could obtain more economic gas supplies from a source other than South Carolina Pipeline Corporation (SCPC). The Consumer Advocate further alleges that the Commission simply recited conclusory testimony, and that there were no facts in the record to support the conclusions reached. Finally, the Consumer Advocate opines that there is no evidence in the record to support the conclusion that SCE&G has been economically prudent in its gas purchasing practices. We disagree.

In addition to all the reasons cited in Order No. 2000-875 from the testimony of Keller Kissam and Brent Sires, we would note that the evidence of record reflects that the price that the Company pays for gas is the NYMEX price which establishes the basic market price for this commodity. In addition to the NYMEX established price, the Company pays transportation costs for the delivery of gas from the wellhead to the Company's distribution system. Testimony of Scruggs at 4-5. These transportation costs are regulated at the interstate level by the Federal Energy Regulatory Commission and at the intrastate level by this Commission. Accordingly, the prices paid by SCE&G for natural gas are reasonable and subject to appropriate regulatory scrutiny.

Further, in the face of this and other testimony, we note that the Consumer Advocate has made no showing by any credible evidence that the company's capacity requirements could be met in a reliable manner from any source other than that utilized by SCE&G, particularly in light of SCE&G's use of South Carolina Pipeline's facilities to connect points on its dispersed distribution system. In addition, although it is possible that there may be times when the Company could buy some quantity of released surplus gas at a spot price lower than that being paid by the Company, these random opportunities do not provide a reliable supply of gas on the basis of which the Company can consistently meet the requirements of its core market customers. We believe that reliability is inextricably linked with economic prudence considerations. If a source of gas is not reliable, it does not matter how inexpensive that gas may be to obtain.

There is other testimony that supports the economic prudence of SCE&G purchasing its gas from South Carolina Pipeline Corporation. The testimony of John S.

Beier shows that, through the latter Company's hedging program, there was a subtraction from SCE&G's cost of gas of \$4,166,535 during the review period. Beier at 5. This alone is strong economic evidence of the prudence of SCE&G purchasing its gas from South Carolina Pipeline Corporation. Further, the testimony of Dr. Julius Wright shows the present instability of the market, and gives credence to the proposition that it might not be economically prudent to change SCE&G's gas source at the present time in any event.

In summary, we deny the Petition of the Consumer Advocate, based on the fact that there is substantial evidence in the record to support SCE&G's economic prudence in purchasing its gas from South Carolina Pipeline Corporation.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)